

DAVID A. VAUDT  
Chairman

November 15, 2016

The Honorable Nancy K. Kopp  
Dr. Terry D. Warfield  
Co-Chairs, Standard-Setting Process Oversight Committee  
Financial Accounting Foundation  
401 Merritt 7  
Norwalk, CT 06856-5116

Dear Treasurer Kopp and Dr. Warfield:

### **Response of the Governmental Accounting Standards Board**

The Governmental Accounting Standards Board (the GASB or the Board) is pleased to provide this response to the Financial Accounting Foundation's *Post-Implementation Review (PIR) Report on GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, dated November 15, 2016 (the PIR Report).

The GASB continually strives to improve generally accepted accounting principles for state and local governments. The Board recognizes that post-implementation reviews are an important feedback mechanism that provides insights into the effectiveness of our standards and opportunities to improve the standard-setting process. The PIR process has provided some important stakeholder feedback on the benefits and costs of Statements 54 in light of actual experience in using and preparing the information.

In summary, the PIR Report concludes that Statement 54 resolved the issues underlying its stated needs and achieved its expected benefits. The PIR report stated the Statement provide creditors and other users of financial statements with decision-useful information, can be applied as intended, and enable information about fund balances and fund type classifications to be reported reliably. The PIR Report also stated that the changes made to financial and operating practices as a result of Statement 54 were not significant or unexpected, there were no significant unanticipated consequences as the result of the application of the Statement, and the implementation and ongoing application costs associated with the Statement were not significant and were consistent with the GASB's expectations.

## **Evaluation of the Findings in the PIR Report and Plans to Address Those Findings**

The GASB welcomes the conclusions reached in the PIR Report and notes the issues that were raised by some governments in applying certain provisions of Statement 54. Those issues will be considered by the Board as those provisions are addressed in the future.

The GASB considers and evaluates PIR Report findings following the *GASB Rules of Procedure* (Section IV.H.6) that establish criteria for the review or reexamination of existing standards. Under those criteria, review of existing standards might be indicated if information is obtained that had not previously or adequately been considered by the Board (such as evidence that the transactions or the environment have changed significantly since the standards were issued), there have been consequences or costs that differ significantly from the Board's expectations, or financial statement users broadly do not find the information to be decision-useful or assist them in assessing certain aspects of accountability. Those criteria are designed to ensure that the governmental financial reporting system is not unduly burdened by the cost of frequent changes to accounting requirements. We noted that the PIR recommended no changes to the GASB's standard-setting process. Therefore, the Board will initiate no action regarding the standard-setting process at this time.

On behalf of the GASB, I would like to thank the Foundation for undertaking this important process and all the individuals and organizations who gave their time to share their insights and experiences with the PIR staff.

Sincerely,



David A. Vaudt  
Chair  
Governmental Accounting Standards Board